

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name East Grand Rapids	County Kent
Fiscal Year End June 30, 2007	Opinion Date November 19, 2007	Date Audit Report Submitted to State December 8, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number (616)975-4100		
Street Address 2330 EAST PARIS AVENUE SE		City GRAND RAPIDS	State MI	Zip 49546
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801



**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

# CITY OF EAST GRAND RAPIDS, MICHIGAN

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

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## **INDEPENDENT AUDITORS' REPORT**

November 19, 2007

Honorable Mayor and Members of  
the City Council  
City of East Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of East Grand Rapids, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of East Grand Rapids, Michigan as of June 30, 2007, and the respective changes in financial position and where applicable cash flows, thereof and the respective budgetary comparison for the general fund and local streets fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2007, on our consideration of the City of East Grand Rapids' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The objective of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Grand Rapids' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of East Grand Rapids' basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large, prominent 'L' at the beginning.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of East Grand Rapids' financial performance provides an overview of the City's financial activities for the year ended June 30, 2007. Please read it in conjunction with the City's financial statements which begin on page 11. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **FINANCIAL HIGHLIGHTS**

- The City's net assets increased \$1,009,436 (or 3.9%). The governmental net assets increased by \$776,981 (or 4.5%) and the business-type net assets increased by \$232,455 (or 2.7%).
- Total expenses of all of the City's programs were \$12,542,671, an increase of \$302,846 (or 2.5%). The governmental expenses increased by \$259,237 (or 2.6%) and the business-type expenses increased by \$43,609 (or 1.8%).
- Total revenues, including all program and general revenues were \$13,552,107, a decrease of \$304,520 (or 2.2%). The governmental revenues decreased by \$379,040 (or 3.4%) and the business-type revenues increased by \$74,520 (or 2.9%). The decrease in governmental revenues is due to the donations received in the prior fiscal year for the Municipal Complex and Streetscape projects.
- The City Commission chose to establish Designated Fund Balances for the Streets and Utilities Remodel project of \$150,000 in the General Fund and \$100,000 in each of the Water/Sewer Fund and the MERF Fund for a total of \$350,000 saved towards this upcoming project.
- The City Commission has established a Designated Fund Balance of \$50,000 in the General Fund for the Reeds Lake Bike Trail Phase II project.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 -13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.



## **Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 5. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the City's net assets and changes in them. The reader can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, water and sewer lines) to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the public safety, general administration, parks and recreation and streets. Property taxes and State Shared Revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services provided. The City's water and sewer system is reported here.

## **Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 8. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission has established several other funds to help it control and manage money for particular purposes. The City's two types of funds, governmental and proprietary, use different accounting approaches.

- **Governmental Funds** – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds, such as the City’s Equipment Revolving Fund and the Health Care Fund ( the other component of proprietary funds) to report activities that provide supplies and services to the City’s other programs and activities.

## **THE CITY AS A WHOLE**

The City’s combined net assets changed from a year ago, increasing from \$25,927,000 to \$26,936,437. Our analysis focuses on the net assets and changes in net assets of the City’s governmental and business-type activities.

**Table 1**  
**Net Assets (in thousands) as of June 30, follows:**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and other assets	\$ 7,125	\$ 9,016	\$2,532	\$2,097	\$9,657	\$11,113
Capital assets	25,094	24,270	7,433	7,736	32,527	32,006
<b>Total assets</b>	<b>32,219</b>	<b>33,286</b>	<b>9,965</b>	<b>9,833</b>	<b>42,184</b>	<b>43,119</b>
Long-term debt outstanding	12,997	13,459	810	895	13,807	14,354
Other liabilities	1,121	2,503	320	336	1,441	2,839
<b>Total liabilities</b>	<b>14,118</b>	<b>15,962</b>	<b>1,130</b>	<b>1,231</b>	<b>15,248</b>	<b>17,193</b>
Net assets:						
Invested in capital assets net of related debt	12,097	11,033	6,623	6,149	18,720	17,182
Restricted	1,750	2,169	-	-	1,750	2,169
Unrestricted	4,254	4,122	2,212	2,453	6,466	6,575
<b>Total net assets</b>	<b>\$18,101</b>	<b>\$17,324</b>	<b>\$8,835</b>	<b>\$8,602</b>	<b>\$26,936</b>	<b>\$25,926</b>

Net assets of the City's governmental activities increased by 4.5 percent (\$18,101,548 compared to \$17,324,566). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased \$132,330. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance decreased by \$418,589.

The net assets of our business-type activities increased by 2.6 percent (\$8,834,889 compared to \$8,602,434).

**Table 2****Changes in Net Assets (in thousands) as of June 30, follows:**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,210	\$ 1,152	\$2,573	\$2,574	\$ 3,783	\$ 3,726
Operating grants and contributions	759	781	-	-	759	781
Capital grants and contributions	194	841	-	-	194	841
General revenues:						
Property taxes	7,178	6,785	-	-	7,178	6,785
State shared	941	969	-	-	941	969
Cable franchise fees	111	119	-	-	111	119
Rental income	113	95	-	-	113	95
Investment earnings	313	438	100	57	413	495
Other	56	38	5	6	61	44
Transfers	-	35	-	(35)	-	-
<b>Total revenues</b>	<b>10,875</b>	<b>11,253</b>	<b>2,678</b>	<b>2,602</b>	<b>13,553</b>	<b>13,855</b>
<b>Expenses</b>						
Governmental activities:						
General government	1,431	1,730	-	-	1,431	1,730
Public safety	3,913	3,706	-	-	3,913	3,706
Public works	2,487	2,341	-	-	2,487	2,341
Recreation and culture	1,454	1,307	-	-	1,454	1,243
Other functions	221	173	-	-	221	173
Interest on long-term debt	592	581	-	-	592	581
Water and sewer	-	-	2,445	2,401	2,445	2,401
<b>Total expenses</b>	<b>10,098</b>	<b>9,838</b>	<b>2,445</b>	<b>2,401</b>	<b>12,543</b>	<b>12,239</b>
<b>Changes in net assets</b>	<b>\$ 777</b>	<b>\$ 1,415</b>	<b>\$ 233</b>	<b>\$ 201</b>	<b>\$ 1,010</b>	<b>\$ 1,616</b>
Net assets, beginning of year	\$17,324	\$15,909	\$8,602	\$8,401	\$25,926	\$24,310
<b>Net assets, end of year</b>	<b>\$18,101</b>	<b>\$17,324</b>	<b>\$8,835</b>	<b>\$8,602</b>	<b>\$26,936</b>	<b>\$25,926</b>

## **Governmental Activities**

Revenues for the City's governmental activities decreased \$379,040 while expenses increased \$259,237. The decrease in revenues is due to donations received for the Municipal Complex, and Streetscape projects in the prior fiscal year. Property taxes increased \$392,461. State Shared revenues decreased by \$27,384.

## **Business-type Activities**

Revenues for the business-type activities increased by \$74,520.

Expenses increased in the business-type activities by \$43,609. Wholesale water and sewer charges from the City of Grand Rapids increased over the previous year due to rate increases.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

At the end of fiscal year 2007 the governmental funds reported a combined fund balance of \$4,130,295 which is \$272,909 less than last year. The decrease is due to bond proceeds for the Municipal Complex project and the Streetscape project being spent during the last year on these projects. The General Fund fund balance increased by \$121,431. The undesignated portion of the General Fund fund balance actually decreased by \$53,845. The City Commission established two new fund balance designations in the General Fund. There is \$150,000 designated towards the Streets and Utilities Remodel and \$50,000 designated for the Reeds Lake Bike Trail Phase II. The General Fund Undesignated Fund Balance at June 30, 2007 is \$2,016,608 which is 24.5% of 2006-2007 expenditures. Available fund balance will be used to cover a budget deficit in 2007-2008.

## **General Fund Budgetary Highlights**

Actual expenditures in the General Fund were \$289,064 below final budget amounts. Expenditures that were below budgeted amounts included Public Safety, Public Works and Recreation activities.

Revenues were \$273,467 more than the amended budget. The most significant increase in revenues from the original budget was in interest earnings due to the favorable interest rate environment during the fiscal year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007 the City had \$31,912,434 invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and water and sewer lines. This amount includes a net increase (including additions and deductions) of \$598,486 or 1.9% over last year. The increase is due to capital asset purchases of \$2,207,111 offset by depreciation of \$1,608,428 and net disposals of \$197. Additional information on capital assets can be found in note 4 on pages 33-35 of the notes to the financial statements.

### **Long-term Debt**

At June 30, 2007 the City had \$13,807,552 in long-term debt outstanding. This is a decrease of \$323,548 from last year. Outstanding debt includes \$1,560,000 for Wealthy Pool Unlimited Tax General Obligation Bonds, \$8,665,000 for the Municipal Complex, \$2,785,000 for the Wealthy Streetscape and \$810,140 in Drain Bonds for business-type activities.

The State of Michigan has statutory and constitutional debt provisions that allow for debt limits of 10 percent of the City's assessed value. This means that the City could have debt outstanding of \$64.2 million. The City is well below statutory and constitutional debt limits with outstanding debt of \$14.0 million. Additional information on long-term debt can be found in note 5 on pages 35 and 36 of the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The budget for next year includes a lower millage rate than was levied for the year ending June 30, 2007. In fiscal year end June 30, 2007 the millage rate levied was 13.6162 and in fiscal year ending June 30, 2008 the millage rate levied is 13.5195. These rollbacks are due to the City being in a Headlee rollback situation.

Another factor influencing property tax revenues is Proposal A. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties may increase in value by less than inflation, the mathematical result of this is that the total taxable value may grow less than inflation. In addition, the City of East Grand Rapids is a land-locked community so there are seldom new additions adding value to the tax roll other than remodeling or renovation of properties.

A developer has purchased a large portion of the City's downtown Gaslight Village property and has begun a \$50,000,000 dollar renovation and improvement that includes both commercial and residential properties. It is anticipated that this project will be completed over the next five to seven years. In connection with this redevelopment the City has completed a Streetscape project of Wealthy Street which is the main street of the Gaslight Village district. This project was financed by the \$3,140,000 Michigan Transportation Fund Bonds.

The City Commission has begun planning for the renovation of the City's Streets and Utilities Building. The City Commission reserved \$350,000 in the Fiscal Year ended June 30, 2007 and has budgeted to reserve an additional \$450,000 in the budget for fiscal year end June 30, 2008. This gives the City \$800,000 reserved towards this project. City Staff will begin working with architects and engineers during the next year to determine actual costs for this project.

The City is self funded for Health Care benefits. Health Care costs had been increasing 15% to 30% each of the past five years. At the end of the year ended June 30, 2004, the Health Care Fund had a fund balance of only \$8,882. Beginning January 1, 2005 the City implemented a Consumer Directed Health Plan for all employees. This plan has a significantly higher deductible for each employee and larger co-pays for out-of-network services. During 2004, co-pays on prescription benefits were increased. These changes were made in an effort to control increasing costs of health care benefits. The current fund balance at June 30, 2007 is \$840,674. The increase in fund balance over the past three years is due to savings from the implementation of the Consumer Directed Health Plan.

The City has responded to the economic downturn and pressure on revenues by trying to keep program expenses constant, increasing some user fees, issuing debt for capital projects and making changes to employee benefits.

The General Fund budget for next year is \$197,400 more than last fiscal year. Budgeted expenditures exceed budgeted revenues by \$185,100. The excess will be funded from available fund balance. The City ended the fiscal year June 30, 2007 with an undesignated fund balance of 24.5 percent of budgeted operating expenditures. The General Fund budget also includes a transfer to the Street Funds in the amount of \$700,000 for street construction. This is the dollar amount of the one and one-third mills that the City Commission chooses to dedicate annually to road projects. \$280,000 of the \$700,000 will be used to pay the debt service of the Michigan Transportation Fund bonds. Currently the City's general fund revenues are sufficient to meet operating expenditures.

As for the City's business-type activities, the budget for next year holds water and sewer rates constant.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 750 Lakeside Drive, SE, Grand Rapids, MI 49506.

## **BASIC FINANCIAL STATEMENTS**



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,856,492	\$ 486,550	\$ 2,343,042
Investments	4,394,292	1,532,514	5,926,806
Accounts receivable	149,858	460,404	610,262
Due from other governmental units	413,370	-	413,370
Special assessment receivable	49,017	-	49,017
Inventory	63,853	52,194	116,047
Prepaid items and other assets	12,836	-	12,836
Debt issuance costs, net	185,322	-	185,322
Capital assets:			
Nondepreciable	2,124,000	-	2,124,000
Depreciable, net	22,970,210	6,818,224	29,788,434
Drainage facility rights, net	-	615,072	615,072
<b>Total assets</b>	<b>32,219,250</b>	<b>9,964,958</b>	<b>42,184,208</b>
<b>Liabilities</b>			
Accounts payable	458,475	31,378	489,853
Accrued liabilities	308,074	16,364	324,438
Due to other governmental units	107,038	249,394	356,432
Unearned revenue	10,754	-	10,754
Long-term liabilities:			
Accrued compensated absences:			
Due within one year	141,569	13,676	155,245
Due in more than one year	94,380	9,117	103,497
Bonds and other installment debt payable:			
Due within one year	244,100	87,232	331,332
Due in more than one year	12,753,312	722,908	13,476,220
<b>Total liabilities</b>	<b>14,117,702</b>	<b>1,130,069</b>	<b>15,247,771</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	12,096,798	6,623,156	18,719,954
Restricted for:			
Highways and streets	1,506,364	-	1,506,364
Debt service	36,474	-	36,474
Capital projects	207,930	-	207,930
Unrestricted	4,253,982	2,211,733	6,465,715
<b>Total net assets</b>	<b>\$ 18,101,548</b>	<b>\$ 8,834,889</b>	<b>\$ 26,936,437</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2007

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental activities</b>					
General government	\$ 1,431,568	\$ 10,065	\$ -	\$ 142,851	\$ (1,278,652)
Public safety	3,912,557	174,857	19,037	-	(3,718,663)
Public works	2,487,240	224,865	739,677	500	(1,522,198)
Recreation and culture	1,453,755	800,657	-	50,401	(602,697)
Other governmental functions	221,270	-	-	-	(221,270)
Interest on long-term debt	591,516	-	-	-	(591,516)
Total governmental activities	10,097,906	1,210,444	758,714	193,752	(7,934,996)
<b>Business-type activities</b>					
Water and Sewer	2,444,765	2,572,620	-	-	127,855
<b>Total</b>	<u>\$ 12,542,671</u>	<u>\$ 3,783,064</u>	<u>\$ 758,714</u>	<u>\$ 193,752</u>	<u>\$ (7,807,141)</u>

(Continued)

**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**Statement of Activities (Concluded)**

**For the Year Ended June 30, 2007**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (7,934,996)	\$ 127,855	\$ (7,807,141)
General revenues:			
Property taxes	7,177,606	-	7,177,606
State shared revenues	941,471	-	941,471
Cable franchise fees	110,625	-	110,625
Rental income	113,009	-	113,009
Unrestricted interest earnings	312,803	99,837	412,640
Other	56,463	4,763	61,226
Total general revenues and transfers	8,711,977	104,600	8,816,577
Change in net assets	776,981	232,455	1,009,436
Net assets, beginning of year	17,324,567	8,602,434	25,927,001
<b>Net assets, end of year</b>	<u>\$ 18,101,548</u>	<u>\$ 8,834,889</u>	<u>\$ 26,936,437</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Balance Sheet Governmental Funds June 30, 2007

	General Fund	Local Streets	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 205,095	\$ 328,698	\$ 513,624	\$ 1,047,417
Investments	2,284,024	542,420	340,868	3,167,312
Accounts receivable	149,858	-	-	149,858
Special assessments receivable	-	-	49,017	49,017
Due from other governmental units	305,049	29,809	78,512	413,370
Prepaid expenditures	9,755	-	-	9,755
<b>Total assets</b>	<b>\$ 2,953,781</b>	<b>\$ 900,927</b>	<b>\$ 982,021</b>	<b>\$ 4,836,729</b>
<b>Liabilities</b>				
Accounts payable	\$ 318,676	\$ 15,876	\$ 44,393	\$ 378,945
Due to other governmental units	90,465	8,279	8,294	107,038
Accrued liabilities	147,917	6,221	6,542	160,680
Deferred revenue	17,196	-	42,575	59,771
<b>Total liabilities</b>	<b>574,254</b>	<b>30,376</b>	<b>101,804</b>	<b>706,434</b>
<b>Fund balances</b>				
Reserved for:				
Bike trail phase II	-	198,539	-	198,539
Prepaid expenditures	9,755	-	-	9,755
Unreserved:				
Designated for:				
Public safety - drug seizures	153,164	-	-	153,164
Streets and utilities remodel	150,000	-	-	150,000
Bike trail phase II	50,000	-	-	50,000
Undesignated, reported in:				
General fund	2,016,608	-	-	2,016,608
Special revenue funds	-	672,012	635,813	1,307,825
Debt service funds	-	-	36,474	36,474
Capital project funds	-	-	207,930	207,930
<b>Total fund balances</b>	<b>2,379,527</b>	<b>870,551</b>	<b>880,217</b>	<b>4,130,295</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,953,781</b>	<b>\$ 900,927</b>	<b>\$ 982,021</b>	<b>\$ 4,836,729</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

Fund balances - total governmental funds	\$ 4,130,295
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.

Add - nondepreciable capital assets	2,124,000
Add - depreciable capital assets, net	21,836,043

Certain assets, such as special assessments receivable are not due and receivable in the current period and therefore are offset with deferred revenue in the fund statements.

Add - deferred revenue on special assessments receivable	49,017
--	--------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities.

Add - net assets of governmental activities accounted for in internal service funds	3,133,548
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the fund statements.

Deduct - bonds payable	(12,997,412)
Add - bond issuance costs	185,322
Deduct - compensated absences	(215,195)
Deduct - accrued interest on long-term liabilities	(144,070)
	(144,070)

Net assets of governmental activities	\$ 18,101,548
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The accompanying notes are an integral part of these financial statements.

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	General Fund	Local Streets	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 6,642,179	\$ -	\$ 535,427	\$ 7,177,606
Licenses and permits	152,475	-	-	152,475
Intergovernmental revenue:				
State	960,508	199,772	489,060	1,649,340
Local	-	50,401	143,351	193,752
Charges for services	1,069,937	-	-	1,069,937
Fines and penalties	68,100	-	-	68,100
Special assessments	-	-	12,884	12,884
Interest and rentals	383,305	25,334	68,018	476,657
Miscellaneous	77,563	-	3,014	80,577
Total revenues	9,354,067	275,507	1,251,754	10,881,328
<b>Expenditures</b>				
Current:				
Legislative	40,431	-	-	40,431
General government	1,843,816	-	5,551	1,849,367
Public safety	3,895,501	-	-	3,895,501
Public works	921,765	670,165	868,794	2,460,724
Culture and recreation	1,222,665	-	-	1,222,665
Other governmental functions	207,916	-	-	207,916
Debt service:				
Principal	-	-	240,000	240,000
Interest	-	-	584,455	584,455
Capital outlay	83,542	-	944,636	1,028,178
Total expenditures	8,215,636	670,165	2,643,436	11,529,237
Revenues over (under) expenditures	1,138,431	(394,658)	(1,391,682)	(647,909)
<b>Other financing sources (uses)</b>				
Transfers in	-	516,400	1,165,900	1,682,300
Transfers out	(1,017,000)	-	(290,300)	(1,307,300)
Total other financing sources (uses)	(1,017,000)	516,400	875,600	375,000
Net changes in fund balances	121,431	121,742	(516,082)	(272,909)
Fund balances, beginning of year	2,258,096	748,809	1,396,299	4,403,204
<b>Fund balances, end of year</b>	<u>\$ 2,379,527</u>	<u>\$ 870,551</u>	<u>\$ 880,217</u>	<u>\$ 4,130,295</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net changes in fund balances - total governmental funds \$ (272,909)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capitalized assets	2,052,391
Deduct - depreciation expense	(1,086,015)

Special assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements.

Deduct - decrease in special assessment deferred revenue	(6,441)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	240,000
Deduct - amortization of bond discount	(900)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add - decrease in accrued interest on bonds	1,756
Add - decrease in the accrual for compensated absences	6,944
Deduct - amortization of bond issuance costs	(7,917)

Internal service funds are used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Deduct - loss from governmental activities in internal service funds	(149,928)
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Change in net assets of governmental activities	\$ 776,981
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The accompanying notes are an integral part of these financial statements.

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance from Amended Budget Over (Under)</b>
<b>Revenues</b>				
Taxes	\$ 6,634,000	\$ 6,634,000	\$ 6,642,179	\$ 8,179
Licenses and permits	152,000	152,000	152,475	475
State revenues	949,100	949,100	960,508	11,408
Charges for services	1,046,800	1,046,800	1,069,937	23,137
Fines and penalties	54,000	54,000	68,100	14,100
Interest and rentals	217,000	217,000	383,305	166,305
Miscellaneous	27,700	27,700	77,563	49,863
<b>Total revenues</b>	<b>9,080,600</b>	<b>9,080,600</b>	<b>9,354,067</b>	<b>273,467</b>
<b>Expenditures</b>				
Current:				
Legislative	25,500	25,500	40,431	14,931
General government	1,816,900	1,834,600	1,843,816	9,216
Public safety	4,012,400	4,012,400	3,895,501	(116,899)
Public works	1,041,800	1,041,800	921,765	(120,035)
Culture and recreation	1,268,900	1,268,900	1,222,665	(46,235)
Other governmental functions	177,000	177,000	207,916	30,916
Capital outlay	144,500	144,500	83,542	(60,958)
<b>Total expenditures</b>	<b>8,487,000</b>	<b>8,504,700</b>	<b>8,215,636</b>	<b>(289,064)</b>
<b>Revenues over expenditures</b>	<b>593,600</b>	<b>575,900</b>	<b>1,138,431</b>	<b>562,531</b>
<b>Other financing uses</b>				
Transfers (out)	(957,000)	(1,017,000)	(1,017,000)	-
<b>Net change in fund balance</b>	<b>(363,400)</b>	<b>(441,100)</b>	<b>121,431</b>	<b>562,531</b>
<b>Fund balance, beginning of year</b>	<b>2,258,096</b>	<b>2,258,096</b>	<b>2,258,096</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 1,894,696</b>	<b>\$ 1,816,996</b>	<b>\$ 2,379,527</b>	<b>\$ 562,531</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Local Streets Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance from Amended Budget Over (Under)</b>
<b>Revenues</b>				
Intergovernmental revenues:				
State	\$ 210,000	\$ 210,000	\$ 199,772	\$ (10,228)
Local	718,000	718,000	50,401	(667,599)
Interest and rentals	3,000	3,000	25,334	22,334
<b>Total revenues</b>	<b>931,000</b>	<b>931,000</b>	<b>275,507</b>	<b>(655,493)</b>
<b>Expenditures</b>				
Street maintenance	342,600	342,600	347,695	5,095
Street construction	1,346,000	1,346,000	180,913	(1,165,087)
Street administration	175,100	175,100	141,557	(33,543)
<b>Total expenditures</b>	<b>1,863,700</b>	<b>1,863,700</b>	<b>670,165</b>	<b>(1,193,535)</b>
Revenues over (under) expenditures	(932,700)	(932,700)	(394,658)	538,042
<b>Other financing sources</b>				
Transfers in	607,000	607,000	516,400	(90,600)
<b>Total other financing sources (uses)</b>	<b>607,000</b>	<b>607,000</b>	<b>516,400</b>	<b>(90,600)</b>
Net change in fund balance	(325,700)	(325,700)	121,742	447,442
Fund balance, beginning of year	748,809	748,809	748,809	-
<b>Fund balance, end of year</b>	<b>\$ 423,109</b>	<b>\$ 423,109</b>	<b>\$ 870,551</b>	<b>\$ 447,442</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Statement of Fund Net Assets

### Proprietary Funds

June 30, 2007

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water/ Sewer Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 486,550	\$ 809,075
Investments	1,532,514	1,226,980
Accounts receivable	460,404	-
Inventory	52,194	63,853
Prepaid expenses	-	3,081
	<hr/>	<hr/>
Total current assets	2,531,662	2,102,989
	<hr/>	<hr/>
Noncurrent assets:		
Capital assets being depreciated, net	6,818,224	1,134,167
Drainage facility rights, net	615,072	-
	<hr/>	<hr/>
Total noncurrent assets	7,433,296	1,134,167
	<hr/>	<hr/>
<b>Total assets</b>	9,964,958	3,237,156
	<hr/>	<hr/>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	31,378	79,530
Due to other governmental units	249,394	-
Accrued liabilities	16,364	3,324
Current portion of compensated absences	13,676	12,452
Current maturity of bonds payable	87,232	-
	<hr/>	<hr/>
Total current liabilities	398,044	95,306
	<hr/>	<hr/>
Noncurrent liabilities:		
Accrued compensated absences	9,117	8,302
Bonds payable, net of current maturities	722,908	-
	<hr/>	<hr/>
Total noncurrent liabilities	732,025	8,302
	<hr/>	<hr/>
<b>Total liabilities</b>	1,130,069	103,608
	<hr/>	<hr/>
<b>Net assets</b>		
Invested in capital assets, net of related debt	6,623,156	1,134,167
Unrestricted	2,211,733	1,999,381
	<hr/>	<hr/>
<b>Total net assets</b>	\$ 8,834,889	\$ 3,133,548
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2007

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water/ Sewer Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Operating revenues</b>		
Charges for services	\$ 2,572,620	\$ 1,684,780
Miscellaneous	4,763	16,713
	<hr/>	<hr/>
Total operating revenues	2,577,383	1,701,493
	<hr/>	<hr/>
<b>Operating expenses</b>		
Personnel services	363,125	162,266
Contractual services	565,835	3,159
Materials and supplies	131,966	446,075
Automobile	79,453	2,457
Water purchases	785,681	-
Claims	-	686,130
Administration	100,000	36,127
Depreciation and amortization	371,202	228,094
Miscellaneous	19,917	-
	<hr/>	<hr/>
Total operating expenses	2,417,179	1,564,308
	<hr/>	<hr/>
Operating income	160,204	137,185
	<hr/>	<hr/>
<b>Non operating revenues (expenses)</b>		
Interest income	99,837	87,887
Interest expense	(27,586)	-
	<hr/>	<hr/>
Total non operating revenues (expenses)	72,251	87,887
	<hr/>	<hr/>
Net income before transfers	232,455	225,072
	<hr/>	<hr/>
<b>Transfers out</b>	-	(375,000)
	<hr/>	<hr/>
Change in net assets	232,455	(149,928)
	<hr/>	<hr/>
Net assets, beginning of year	8,602,434	3,283,476
	<hr/>	<hr/>
<b>Net assets, end of year</b>	<u><u>\$ 8,834,889</u></u>	<u><u>\$ 3,133,548</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2007

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water/ Sewer Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>		
Receipts from interfund services provided	\$ -	\$ 1,684,780
Receipts from customers and users	2,494,443	16,713
Payments to suppliers	(1,698,989)	(477,377)
Payments to employees	(363,146)	(840,766)
	<u>432,308</u>	<u>383,350</u>
Net cash provided by operating activities		
	<u>432,308</u>	<u>383,350</u>
<b>Cash flows from non-capital financing activities</b>		
Transfers (out)	-	(375,000)
	<u>-</u>	<u>(375,000)</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(68,664)	(85,859)
Principal paid on bonds	(84,448)	-
Interest and fiscal charges paid	(27,903)	-
	<u>(181,015)</u>	<u>(85,859)</u>
Net cash used in capital and related financing activities		
	<u>(181,015)</u>	<u>(85,859)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(273,625)	(174,358)
Interest earned on investments	99,837	87,887
	<u>(173,788)</u>	<u>(86,471)</u>
Net cash used in investing activities		
	<u>(173,788)</u>	<u>(86,471)</u>
Net increase in cash and cash equivalents	77,505	(163,980)
Cash and cash equivalents, beginning of year	409,045	973,055
	<u>409,045</u>	<u>973,055</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 486,550</u>	<u>\$ 809,075</u>

(Continued)

**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**Statement of Cash Flows (Concluded)**

**Proprietary Funds**

**For the Year Ended June 30, 2007**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water/ Sewer Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>		
Operating income	\$ 160,204	\$ 137,185
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	371,202	228,094
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(82,940)	-
Prepaid expenses	-	5,226
Accounts payable	(265,531)	760
Due to other governmental units	249,394	-
Accrued liabilities and compensated absences	(21)	12,085
<b>Net cash provided by operating activities</b>	<b>\$ 432,308</b>	<b>\$ 383,350</b>

(Concluded)

The accompanying notes are an integral part of these financial statements.

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2007**

**Assets**

Cash and cash equivalents	\$ 4,636
Delinquent taxes receivable	<u>18,773</u>

<b>Total assets</b>	<b><u>\$ 23,409</u></b>
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**Liabilities**

Accounts payable	\$ 290
Due to other governmental units	<u>23,119</u>

<b>Total liabilities</b>	<b><u>\$ 23,409</u></b>
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The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of East Grand Rapids conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies:

#### *The Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. The City has no discretely presented component units.

#### *Blended Component Unit – City of East Grand Rapids Building Authority*

The Building Authority is governed by a board appointed by the City Commission. For financial reporting purposes, the building authority is reported as if it were a part of the City's operations because its sole purpose is to finance and construct the City's public buildings. The Building Authority had no activity during the current year.

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

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### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the County pays the City, and is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

The *Local Streets Fund* is used to account for the receipt and expenditure of gas and weight taxes, distributed by the State of Michigan, that are restricted for use on local streets by Act 51.

The City reports the following major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for the operations of the City's sewer and water department that provides sewer and water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for proceeds from specific revenue sources (other than or capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

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The *Capital Projects Fund* is used to account for the accumulation and disbursement of funds for capital projects.

The *Internal Service Funds* account for equipment and vehicle purchases, repairs and maintenance provided to the City departments on a cost reimbursement basis and the accumulation of resources and costs related to the City's self-insurance program.

The *Agency Fund* is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment utilization and insurance coverage. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for General and Special Revenue Funds. General and Special Revenue Funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. By the second week of June the budget is legally enacted through passage of a resolution.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to Financial Statements**

**For the Year Ended June 30, 2007**

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4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed during the year ended June 30, 2007. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations by activity. Supplemental appropriations were necessary during the year.

Budgets for expenditures are adopted on a fund total basis in both the General Fund and in the Special Revenue funds. Thus, expenditures may not legally exceed the budgeted amounts by fund for the General and Special Revenue funds.

### ***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

### ***Receivables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### ***Drainage District Facility Rights***

The City is a participant in the Silver Creek Drainage District, an intra-county drain in Kent County owned and operated by the Kent County Drain Commission. Each member municipality has pledged its full faith and credit in repayment of their allocated shares of long-term debt of the system.

The City accounts for the group of transactions substantially in accordance with APB 17, Intangible Assets. The contract payable to the Kent County Drain Commission is presented as long-term debt. The City's investment in the intangible asset is presented as drainage facility rights.

The investment in drainage facility rights is amortized over the life of the debt issue. Accumulated amortization amounted to \$915,592 at June 30, 2007. Current year amortization expense amounted to \$76,883 for the year ended June 30, 2007.

### ***Due to/from Other Funds***

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

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### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water and sewage systems	20-50
Buildings and improvements	10-35
Vehicles and equipment	4-20
Infrastructure	5-20

### *Deferred Revenue*

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

General Fund – fees received in advance	\$ 17,196
Special assessment fund – special assessments	<u>42,575</u>
	<u>\$ 59,771</u>

### *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to Financial Statements**

**For the Year Ended June 30, 2007**

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as general government expenditures.

### ***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused sick and vacation benefits. The City follows the accounting and reporting principles outlined in GASB 16, with regard to employee vacation and sick leave.

Vacation time is credited to each employees account monthly. Employees that are allowed to carryover up to a maximum of two years worth of earned vacation. Unused vacation days are paid to employees upon termination under limits that vary by employee group. Employees accumulate sick leave at the rate of one day per month of employment. Unused sick leave, under limits that vary by employee group, is payable to employees (or their beneficiaries) with ten or more years of continuous service at the rate of \$1.00 per day, times the years of continuous service upon retirement or death. The vesting method is used to determine the amount of sick leave accrued.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year-end while the proprietary funds report the liability as it is incurred.

### ***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 15. These summer tax bills include the City's own property taxes and taxes billed on behalf of the school district (State Education Tax) within the City limits. Real property taxes not collected as of March 1 are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

### ***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

### *Investments*

State statutes authorize the City to invest in the following:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

## 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2007, expenditures were incurred in excess of the amounts appropriated in the amended budget of the general fund and special revenue fund types of the primary government as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Major Street Fund	\$ 837,500	\$ 868,794	\$ 31,294

## 3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,856,492	\$ 486,550	\$ 4,636	\$ 2,347,678
Investments	4,394,292	1,532,514	-	5,926,806
	<u>\$ 6,250,784</u>	<u>\$ 2,019,064</u>	<u>\$ 4,636</u>	<u>\$ 8,274,484</u>

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

The cash and investments above are disclosed in the notes as follows:

Checking/savings accounts	\$ 2,346,778
Certificates of deposit (due within one year)	3,729,525
Investments	2,197,281
Cash on hand	900
	<u>\$ 8,274,484</u>

These deposits are in five (5) financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value.

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments:

### Investments

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
General Electric Capital Corporation Commercial Paper	9/6/07	\$ 201,890	S&P A-1+
Kent County Investment Pool	N/A	<u>1,995,391</u>	Unrated
		<u>\$2,197,281</u>	

The above investments do not include certificates of deposit which are classified as investments for financial statement purposes as their original maturity date is greater than three months.

### *Investment and Deposit Risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the City's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$5,572,342 of the City's bank balance of \$6,071,442 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the \$2,197,281 in investments, the City has a custodial credit risk exposure of \$2,197,281 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above mutual fund investments, the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. Concentrations of investments are noted above.

### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,124,000	\$ -	\$ -	\$ 2,124,000
Construction in progress	12,723,248	1,782,454	14,505,702	-
Total capital assets, not being depreciated	14,847,248	1,782,454	14,505,702	2,124,000
Capital assets, being depreciated:				
Land improvements	673,435	-	-	673,435
Buildings	843,629	10,642,128	425,000	11,060,757
Building improvements	3,865,606	-	391,232	3,474,374
Vehicles and equipment	3,190,501	86,056	37,932	3,238,625
Infrastructure	8,678,164	4,133,511	-	12,811,675
Total capital assets, being depreciated	17,251,335	14,861,695	854,164	31,258,866



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

**For the Year Ended June 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<b>Governmental activities (Continued)</b>				
Less accumulated depreciation for:				
Land improvements	\$ 134,688	\$ 120,808	\$ -	\$ 255,496
Buildings	831,405	327,991	425,000	734,396
Building improvements	1,297,837	182,768	391,232	1,089,373
Vehicles and equipment	1,788,691	258,767	37,735	2,009,723
Infrastructure	3,775,893	423,775	-	4,199,668
	<u>7,828,514</u>	<u>1,314,109</u>	<u>853,967</u>	<u>8,288,656</u>
Total accumulated depreciation	<u>7,828,514</u>	<u>1,314,109</u>	<u>853,967</u>	<u>8,288,656</u>
Net capital assets, being depreciated	<u>9,422,821</u>	<u>13,547,586</u>	<u>197</u>	<u>22,970,210</u>
Governmental activities capital assets, net	<u>\$ 24,270,069</u>	<u>\$ 15,330,040</u>	<u>\$ 14,505,899</u>	<u>\$ 25,094,210</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 1,491</u>	<u>\$ -</u>	<u>\$ 1,491</u>	<u>\$ -</u>
Capital assets, being depreciated:				
Sewer system	7,802,414	-	-	7,802,414
Water system	4,615,944	70,155	-	4,686,099
Lift stations	390,983	-	-	390,983
Water tower	303,228	-	-	303,228
Meters	350,271	-	-	350,271
	<u>13,462,840</u>	<u>70,155</u>	<u>-</u>	<u>13,532,995</u>
Total capital assets, being depreciated	<u>13,462,840</u>	<u>70,155</u>	<u>-</u>	<u>13,532,995</u>
Less accumulated depreciation for:				
Sewer system	4,071,097	157,578	-	4,228,675
Water system	1,861,543	95,276	-	1,956,819
Lift stations	153,928	17,589	-	171,517
Water tower	185,018	6,362	-	191,380
Meters	148,866	17,514	-	166,380
	<u>6,420,452</u>	<u>294,319</u>	<u>-</u>	<u>6,714,771</u>
Total accumulated depreciation	<u>6,420,452</u>	<u>294,319</u>	<u>-</u>	<u>6,714,771</u>
Net capital assets, being depreciated	<u>7,042,388</u>	<u>(224,164)</u>	<u>-</u>	<u>6,818,224</u>
Business-type activities capital assets, net	<u>\$ 7,043,879</u>	<u>\$ (224,164)</u>	<u>\$ 1,491</u>	<u>\$ 6,818,224</u>

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 51,043
Public safety	128,150
Public works	717,856
Recreation and culture	188,966
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>228,094</u>
Total depreciation expense – governmental activities	<u>\$ 1,314,109</u>

## 5. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Governmental activities					
\$1,775,000 Unlimited Tax General Obligation Bonds, Series 2002, due in annual installments of \$55,000 to \$165,000 through April 2022; interest at 3.50% to 4.90%	\$ 1,615,000	\$ -	\$ 55,000	\$ 1,560,000	\$ 55,000
\$8,740,000 Unlimited Tax General Obligation Bonds, Series 2004, due in annual installments of \$15,000 to \$550,000 through April 2034; interest at 3.00% to 4.875%	8,680,000	-	15,000	8,665,000	15,000
\$3,140,000 2005 Michigan Transportation Fund Bonds, due in annual installments Of \$170,000 to \$265,000 through April 2020; interest at 3.00% to 4.25%	<u>2,955,000</u>	<u>-</u>	<u>170,000</u>	<u>2,785,000</u>	<u>175,000</u>
Total installment debt	13,250,000	-	240,000	13,010,000	245,000
Long-term compensated absences	222,139	169,884	133,283	235,949	141,569
Less: unamortized discount	<u>(13,488)</u>	<u>-</u>	<u>(900)</u>	<u>(12,588)</u>	<u>900</u>
<b>Total governmental activities</b>	<b><u>\$ 13,458,651</u></b>	<b><u>\$ 169,884</u></b>	<b><u>\$ 372,383</u></b>	<b><u>\$ 13,256,152</u></b>	<b><u>\$ 401,144</u></b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

**For the Year Ended June 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
\$981,824 2003 Silver Creek Drain Refunding Bonds; due in annual installments of \$84,448 to \$107,648 through November 2015; interest at 2.25% to 4.25%.	\$ 894,588	\$ -	\$ 84,448	\$ 810,140	\$ 87,232
Long-term compensated absences	21,969	14,005	13,181	22,793	13,676
Total business-type activities	<u>\$ 916,557</u>	<u>\$ 14,005</u>	<u>\$ 97,629</u>	<u>\$ 832,933</u>	<u>\$ 100,908</u>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 245,000	\$ 576,279	\$ 87,232	\$ 25,862
2009	350,000	567,669	90,944	23,522
2010	365,000	555,729	92,800	20,879
2011	375,000	510,259	96,512	17,991
2012	385,000	529,029	99,296	14,832
2013-2017	2,305,000	2,405,511	343,356	24,402
2014-2022	2,875,000	1,847,869	-	-
2023-2027	2,290,000	1,281,533	-	-
2028-2032	2,720,000	667,875	-	-
2033-2034	1,100,000	80,438	-	-
<b>Total</b>	<u><b>\$ 13,010,000</b></u>	<u><b>\$ 9,022,191</b></u>	<u><b>\$ 810,140</b></u>	<u><b>\$ 127,488</b></u>

## 6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2007 are as follows:

	<u>Transfers In</u>		
	<u>Local Streets Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Transfers out</b>			
General fund	\$ 507,000	\$ 510,000	\$ 1,017,000
Internal Service Funds	-	375,000	375,000
Special Assessments	9,400	280,900	290,300
	<u><b>\$ 516,400</b></u>	<u><b>\$ 1,165,900</b></u>	<u><b>\$ 1,682,300</b></u>

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

### 7. PENSION PLANS

#### *Defined Benefit Plan Description*

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits covering certain bargaining units. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined flat rate, which for the current year was \$408,900. Employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board.

For the year ended June 30, 2007, the City's annual pension cost of \$384,352 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the initial entry into the plan using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, and (c) additional projected salary increases of 0.0% to 4.2% per year based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 30 years.

#### **Trend Information**

<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2005	\$ 191,707	100%	\$ -
2006	267,042	100%	-
2007	384,352	100%	-

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$ 13,160,299	\$ 17,410,086	\$ 4,249,787	76%	\$ 718,375	592%
12/31/05	12,782,053	17,853,808	4,801,755	73%	700,216	686%
12/31/06	12,731,436	17,743,540	5,012,104	72%	663,860	755%

#### *Defined Contribution Pension Plans*

The City also maintains three defined contribution retirement plans offered by MERS and administered by ICMA Retirement Corporation (ICMA). The City Services Defined Contribution Plan covers all City service employees hired on or after July 7, 1999 and all City services employees hired prior to July 7, 1999 who elected to convert from the defined benefit plan on July 7, 1999. The Non-Union Defined Contribution Plan covers all non-union employees hired on or after July 1, 1999 and all non-union employees hired prior to July 1, 1999 who elected to convert from the defined benefit plan on July 1, 1999. The Public Safety Defined Contribution Plan covers all public safety officers, lieutenants and sergeants hired on or after January 1, 2002 and all officers, lieutenants and sergeants hired prior to January 1, 2002 who elected to convert to the defined contribution plan on January 1, 2002.

#### *City Services Defined Contribution Plan*

The City Services Plan requires participants and the City to each contribute 4% of the participants' salaries to the plan. The City's contribution for fiscal year 2007 was \$26,232 and the employees' contribution was also \$26,232.

#### *Non-Union Defined Contribution Plan*

The Non-Union Plan gives participants the option to contribute up to 1% of their salary to the plan. The City is required to contribute 14% of the participants' salary and match the employees' optional contribution. The City's contribution for fiscal year 2007 was \$219,465 and the employees' contribution was \$14,570.

#### *Public Safety Defined Contribution Plan*

The Public Safety Plan requires participants to contribute 3.81% of their salary to the plan. The City is required to contribute 15% of the participants' salary. The City's contribution for fiscal year 2007 was \$220,463 and the employees' contribution was \$55,493.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to Financial Statements**

**For the Year Ended June 30, 2007**

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### **8. OTHER POST EMPLOYMENT BENEFITS**

In addition to pension benefits, the City extends medical insurance coverage to retirees. The employer-paid benefit is provided upon the employee attaining 55 years of age, with 25 years of service to the City. Upon that attainment, the employee and eligible dependents, as applicable, are provided with medical insurance equivalent to that provided to existing employees in their classification until they are eligible for federal Medicare coverage. The City has 20 individuals/family groups who are receiving benefits. The benefits are financed with contributions by various City funds to the Health Insurance Fund, based on retirees' claims and a provision for estimated claims incurred but not yet reported to the City. Current year expenses for covered individuals were \$272,772.

### **9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its risk by purchasing commercial insurance for liability and property insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City is self-insured for employees' health benefits and accounts for and finances its uninsured risks of loss in the Health Care Fund (an internal service fund). Under this program, the Health Care Fund provides specific coverage for up to a maximum of \$40,000 per covered individual and certain excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to Financial Statements

For the Year Ended June 30, 2007

All funds of the City participate in the program and make payments to the Health Care Fund based on experience estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The available net assets at June 30, 2007 are \$840,674 and are reported in the Health Insurance Fund. The claims liability of \$62,392 reported in the fund at June 30, 2007, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

<b>Fiscal Year Ended June 30</b>	<b>Balance at Beginning of Year</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at End of Year</b>
2006	\$ 85,061	\$ 647,783	\$ (665,997)	\$ 66,847
2007	66,847	717,802	(722,257)	62,392

### 10. CONTINGENT LIABILITIES

The City is party to various legal proceedings and claims which normally occur in government operations. Although the outcome of the legal proceedings and claims is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

### 11. STATE CONSTRUCTION CODE ACT

P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies or construction board of appeals bear a reasonable relationship to the actual cost of performing those services.

The fees generated by the City's enforcing agencies and the costs of providing those services were as follows for the year ended June 30, 2007:

#### Revenues

Building permits	\$ 23,652
Other permits	10,323

#### Total revenues

33,975

#### Expenditures

Salaries and wages	51,129
Payroll taxes and fringe benefits	28,742
Inspection services	4,565
Automobile expenses	4,773

#### Total expenditures

89,209

#### Deficiency of revenues under expenditures

\$ (55,234)

\* \* \* \* \*

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**



## **GENERAL FUND**

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Detail Schedule of Revenues and Expenditures**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance from Amended Budget Over (Under)</b>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 6,614,000	\$ 6,614,000	\$ 6,614,185	\$ 185
Interest and penalties on property taxes	20,000	20,000	27,994	7,994
	<u>6,634,000</u>	<u>6,634,000</u>	<u>6,642,179</u>	<u>8,179</u>
Licenses and permits:				
Business licenses	8,000	8,000	7,875	(125)
Cable television franchise fees	110,000	110,000	110,625	625
Building permits	16,000	16,000	23,652	7,652
Other licenses and permits	18,000	18,000	10,323	(7,677)
	<u>152,000</u>	<u>152,000</u>	<u>152,475</u>	<u>475</u>
State revenues:				
State shared revenue	942,600	942,600	941,471	(1,129)
State grants	6,500	6,500	19,037	12,537
	<u>949,100</u>	<u>949,100</u>	<u>960,508</u>	<u>11,408</u>
Charges for services:				
Administrative charges	100,000	100,000	100,000	-
Recreation fees	759,400	759,400	775,586	16,186
Grounds maintenance fees	133,300	133,300	118,422	(14,878)
Clerk's services	6,000	6,000	4,712	(1,288)
Right of way fees	30,000	30,000	34,549	4,549
Other	18,100	18,100	36,668	18,568
	<u>1,046,800</u>	<u>1,046,800</u>	<u>1,069,937</u>	<u>23,137</u>
Fines and penalties	54,000	54,000	68,100	14,100
Interest and rentals:				
Interest	140,000	140,000	270,296	130,296
Cable tower rental	77,000	77,000	113,009	36,009
	<u>217,000</u>	<u>217,000</u>	<u>383,305</u>	<u>166,305</u>
Miscellaneous	27,700	27,700	77,563	49,863
<b>Total revenues</b>	<u>\$ 9,080,600</u>	<u>\$ 9,080,600</u>	<u>\$ 9,354,067</u>	<u>\$ 273,467</u>

(Continued)

**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**Detail Schedule of Revenues and Expenditures**

**Budget and Actual (Continued)**

**General Fund**

**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance from Amended Budget Over (Under)</b>
<b>Expenditures</b>				
Current:				
Legislative:				
City Commission:				
Personnel services	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Contractual services	2,000	2,000	9,036	7,036
Miscellaneous	15,500	15,500	23,395	7,895
	<u>25,500</u>	<u>25,500</u>	<u>40,431</u>	<u>14,931</u>
General Government:				
City Manager:				
Personnel services	219,500	219,500	230,394	10,894
Contractual services	4,000	4,000	3,142	(858)
Operating supplies	-	-	-	-
Automobile expenses	100	100	131	31
Miscellaneous	8,800	8,800	8,315	(485)
	<u>232,400</u>	<u>232,400</u>	<u>241,982</u>	<u>9,582</u>
City Assessor:				
Personnel services	117,300	117,300	117,002	(298)
Operating supplies	4,200	4,200	3,445	(755)
Automobile expenses	200	200	162	(38)
Miscellaneous	2,000	2,000	1,771	(229)
	<u>123,700</u>	<u>123,700</u>	<u>122,380</u>	<u>(1,320)</u>
City Attorney:				
Professional services	190,000	190,000	204,319	14,319
Miscellaneous	5,000	5,000	18,403	13,403
	<u>195,000</u>	<u>195,000</u>	<u>222,722</u>	<u>27,722</u>
Elections:				
Personnel services	17,000	17,000	13,468	(3,532)
Controller-Clerk-Treasurer:				
Personnel services	446,400	446,400	447,702	1,302
Contractual services	4,000	4,000	3,529	(471)
Professional services	14,000	14,000	13,950	(50)
Operating supplies	58,200	58,200	49,124	(9,076)
Repairs and maintenance	24,900	24,900	29,179	4,279
Automobile expenses	500	500	598	98
Miscellaneous	25,100	25,100	35,326	10,226
	<u>573,100</u>	<u>573,100</u>	<u>579,408</u>	<u>6,308</u>

(Continued)

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Detail Schedule of Revenues and Expenditures

### Budget and Actual (Continued)

#### General Fund

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget Over (Under)
<b>Expenditures (continued)</b>				
Current: (continued)				
General Government: (concluded)				
City buildings:				
Personnel services	\$ 206,600	\$ 224,300	\$ 220,348	\$ (3,952)
Contractual services	366,100	366,100	342,061	(24,039)
Operating supplies	41,500	41,500	42,090	590
Repairs and maintenance	42,000	42,000	43,716	1,716
Automobile expenses	10,000	10,000	10,416	416
Miscellaneous	9,500	9,500	5,225	(4,275)
	<u>675,700</u>	<u>693,400</u>	<u>663,856</u>	<u>(29,544)</u>
 Total general government	 <u>1,816,900</u>	 <u>1,834,600</u>	 <u>1,843,816</u>	 <u>9,216</u>
 Public safety:				
General activity:				
Personnel services	3,486,900	3,486,900	3,409,344	(77,556)
Contractual services	104,800	104,800	95,377	(9,423)
Operating supplies	91,100	91,100	76,226	(14,874)
Repairs and maintenance	9,000	9,000	7,103	(1,897)
Automobile expenses	175,000	175,000	167,490	(7,510)
Miscellaneous	28,600	28,600	20,932	(7,668)
	<u>3,895,400</u>	<u>3,895,400</u>	<u>3,776,472</u>	<u>(118,928)</u>
State programs:				
Training	<u>6,700</u>	<u>6,700</u>	<u>6,492</u>	<u>(208)</u>
 Drug seizure program:				
Operating supplies	7,000	7,000	18,193	11,193
Miscellaneous	11,000	11,000	5,135	(5,865)
	<u>18,000</u>	<u>18,000</u>	<u>23,328</u>	<u>5,328</u>
Inspection:				
Personnel services	86,300	86,300	79,871	(6,429)
Contractual services	-	-	4,565	4,565
Automobile expenses	6,000	6,000	4,773	(1,227)
	<u>92,300</u>	<u>92,300</u>	<u>89,209</u>	<u>(3,091)</u>
 Total public safety	 <u>4,012,400</u>	 <u>4,012,400</u>	 <u>3,895,501</u>	 <u>(116,899)</u>

(Continued)

**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**Detail Schedule of Revenues and Expenditures**

**Budget and Actual (Continued)**

**General Fund**

**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance from Amended Budget Over (Under)</b>
<b>Expenditures (continued)</b>				
Current: (continued)				
Public works:				
Engineering:				
Personnel services	\$ 93,500	\$ 93,500	\$ 96,248	\$ 2,748
Contractual services	5,000	5,000	5,741	741
Operating supplies	3,500	3,500	3,045	(455)
Automobile expenses	6,000	6,000	2,793	(3,207)
	<u>108,000</u>	<u>108,000</u>	<u>107,827</u>	<u>(173)</u>
Street lighting:				
Contractual services	72,000	72,000	73,977	1,977
Operating supplies	-	-	3,500	3,500
Repairs and maintenance	7,000	7,000	1,373	(5,627)
	<u>79,000</u>	<u>79,000</u>	<u>78,850</u>	<u>(150)</u>
Wealthy streetscape maintenance:				
Personnel services	6,000	6,000	5,674	(326)
Contractual services	37,400	37,400	42,837	5,437
Operating supplies	22,000	22,000	17,838	(4,162)
Repairs and maintenance	2,000	2,000	823	(1,177)
	<u>67,400</u>	<u>67,400</u>	<u>67,172</u>	<u>(228)</u>
Waste collection:				
Personnel services	164,300	164,300	151,452	(12,848)
Contractual services	183,000	183,000	130,842	(52,158)
Operating supplies	800	800	765	(35)
Automobile expenses	80,000	80,000	72,814	(7,186)
	<u>428,100</u>	<u>428,100</u>	<u>355,873</u>	<u>(72,227)</u>
Lake restoration:				
Contractual services	10,000	10,000	6,819	(3,181)
Tree maintenance and removal:				
Personnel services	10,900	10,900	25,811	14,911
Contractual services	33,000	33,000	22,285	(10,715)
Repairs and maintenance	1,000	1,000	209	(791)
Automobile expenses	2,000	2,000	3,039	1,039
	<u>46,900</u>	<u>46,900</u>	<u>51,344</u>	<u>4,444</u>

(Continued)

**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**Detail Schedule of Revenues and Expenditures**

**Budget and Actual (Continued)**

**General Fund**

**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance from Amended Budget Over (Under)</b>
<b>Expenditures (concluded)</b>				
Current: (concluded)				
Public works (concluded)				
Grounds maintenance:				
Personnel services	\$ 147,500	\$ 147,500	\$ 117,624	\$ (29,876)
Contractual services	900	900	1,130	230
Operating supplies	21,800	21,800	20,975	(825)
Repairs and maintenance	76,600	76,600	69,049	(7,551)
Automobile expenses	55,000	55,000	43,789	(11,211)
Miscellaneous	600	600	1,313	713
	<u>302,400</u>	<u>302,400</u>	<u>253,880</u>	<u>(48,520)</u>
 Total public works	 1,041,800	 1,041,800	 921,765	 (120,035)
 Culture and recreation:				
Personnel services	772,100	772,100	748,725	(23,375)
Contractual services	96,800	96,800	147,258	50,458
Joint facilities agreement	174,300	174,300	154,288	(20,012)
Operating supplies	93,100	93,100	49,333	(43,767)
Repairs and maintenance	6,500	6,500	7,045	545
Automobile expenses	900	900	1,224	324
Miscellaneous	15,100	15,100	15,648	548
	<u>1,158,800</u>	<u>1,158,800</u>	<u>1,123,521</u>	<u>(35,279)</u>
Special events:				
Personnel services	5,700	5,700	4,149	(1,551)
Contractual services	32,600	32,600	34,211	1,611
Operating supplies	46,400	46,400	48,947	2,547
Miscellaneous	25,400	25,400	11,837	(13,563)
	<u>110,100</u>	<u>110,100</u>	<u>99,144</u>	<u>(10,956)</u>
 Total culture and recreation	 1,268,900	 1,268,900	 1,222,665	 (46,235)
 Other governmental functions:				
Personnel services	5,000	5,000	525	(4,475)
Contractual services	26,000	26,000	32,031	6,031
Insurance premiums	140,000	140,000	153,573	13,573
Miscellaneous	6,000	6,000	21,787	15,787
	<u>177,000</u>	<u>177,000</u>	<u>207,916</u>	<u>30,916</u>

(Continued)

**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**Detail Schedule of Revenues and Expenditures**

**Budget and Actual (Concluded)**

**General Fund**

**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance from Amended Budget Over (Under)</b>
<b>Expenditures (concluded)</b>				
Capital outlay:				
Public safety:				
General activity	\$ 10,200	\$ 10,200	\$ 10,188	\$ (12)
Culture and recreation	60,000	60,000	60,000	-
Other governmental functions	15,000	15,000	13,354	(1,646)
	<u>144,500</u>	<u>144,500</u>	<u>83,542</u>	<u>(60,958)</u>
<b>Total expenditures</b>	<u>\$ 8,487,000</u>	<u>\$ 8,504,700</u>	<u>\$ 8,215,636</u>	<u>\$ (289,064)</u>

(Concluded)

## **NONMAJOR GOVERNMENTAL FUNDS**



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>		
	<u>Major Streets</u>	<u>Wealthy Pool</u>	<u>Municipal Complex</u>	<u>Streetscape</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 236,272	\$ 15,123	\$ 20,068	\$ 1,283
Investments	340,868	-	-	-
Special assessments receivable	-	-	-	-
Due from other governmental units	78,512	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<u><u>\$ 655,652</u></u>	<u><u>\$ 15,123</u></u>	<u><u>\$ 20,068</u></u>	<u><u>\$ 1,283</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 5,003	\$ -	\$ -	\$ -
Due to other governmental units	8,294	-	-	-
Accrued liabilities	6,542	-	-	-
Deferred revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>19,839</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Unreserved:				
Undesignated	<u>635,813</u>	<u>15,123</u>	<u>20,068</u>	<u>1,283</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>635,813</u>	<u>15,123</u>	<u>20,068</u>	<u>1,283</u>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<u><u>\$ 655,652</u></u>	<u><u>\$ 15,123</u></u>	<u><u>\$ 20,068</u></u>	<u><u>\$ 1,283</u></u>

<b>Capital Projects</b>				
<b>Municipal Complex</b>	<b>Streetscape</b>	<b>Special Assessment</b>	<b>Total</b>	
\$ 162,527	\$ 62,599	\$ 15,752	\$	513,624
-	-	-		340,868
-	-	49,017		49,017
-	-	-		78,512
<hr/>				
\$ 162,527	\$ 62,599	\$ 64,769	\$	982,021
<hr/>				
\$ 39,390	\$ -	\$ -	\$	44,393
-	-	-		8,294
-	-	-		6,542
-	-	42,575		42,575
<hr/>				
39,390	-	42,575		101,804
<hr/>				
123,137	62,599	22,194		880,217
<hr/>				
123,137	62,599	22,194		880,217
<hr/>				
\$ 162,527	\$ 62,599	\$ 64,769	\$	982,021
<hr/>				

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2007

	Special Revenue	Debt Service		
	Major Streets	Wealthy Pool	Municipal Complex	Streetscape
<b>Revenues</b>				
Property taxes	\$ -	\$ 131,061	\$ 404,366	\$ -
Intergovernmental:				
State	489,060	-	-	-
Local	-	-	-	-
Special assessments	-	-	-	-
Interest and rentals	25,511	3,745	8,274	1,374
Miscellaneous	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	514,571	134,806	412,640	1,374
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public works	868,794	-	-	-
Debt service:				
Principal	-	55,000	15,000	170,000
Interest	-	74,040	399,314	111,101
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	868,794	129,040	414,314	281,101
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(354,223)	5,766	(1,674)	(279,727)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Transfers in	450,000	-	-	280,900
Transfers out	(280,900)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	169,100	-	-	280,900
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balances	(185,123)	5,766	(1,674)	1,173
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	820,936	9,357	21,742	110
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u>\$ 635,813</u>	<u>\$ 15,123</u>	<u>\$ 20,068</u>	<u>\$ 1,283</u>

<b>Capital Projects</b>			
<b>Municipal Complex</b>	<b>Streetscape</b>	<b>Special Assessment</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ 535,427
-	-	-	489,060
142,851	500	-	143,351
-	-	12,884	12,884
22,359	6,755	-	68,018
-	-	3,014	3,014
165,210	7,255	15,898	1,251,754
5,551	-	-	5,551
-	-	-	868,794
-	-	-	240,000
-	-	-	584,455
895,138	49,498	-	944,636
900,689	49,498	-	2,643,436
(735,479)	(42,243)	15,898	(1,391,682)
435,000	-	-	1,165,900
-	-	(9,400)	(290,300)
435,000	-	(9,400)	875,600
(300,479)	(42,243)	6,498	(516,082)
423,616	104,842	15,696	1,396,299
\$ 123,137	\$ 62,599	\$ 22,194	\$ 880,217

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Major Streets Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance from Amended Budget Over (Under)</b>
<b>Revenues</b>				
Intergovernmental revenues:				
State	\$ 500,000	\$ 500,000	\$ 489,060	\$ (10,940)
Interest and rentals	5,000	5,000	25,511	20,511
Total revenues	505,000	505,000	514,571	9,571
<b>Expenditures</b>				
Street maintenance	317,600	317,600	322,759	5,159
Street construction	322,000	322,000	372,100	50,100
Street administration	197,900	197,900	173,935	(23,965)
Total expenditures	837,500	837,500	868,794	31,294
Revenues over (under) expenditures	(332,500)	(332,500)	(354,223)	(21,723)
<b>Other financing sources (uses)</b>				
Transfers in	450,000	450,000	450,000	-
Transfers (out)	(280,900)	(280,900)	(280,900)	-
Total other financing sources (uses)	169,100	169,100	169,100	-
Net change in fund balance	(163,400)	(163,400)	(185,123)	(21,723)
Fund balance, beginning of year	820,936	820,936	820,936	-
<b>Fund balance, end of year</b>	<b>\$ 657,536</b>	<b>\$ 657,536</b>	<b>\$ 635,813</b>	<b>\$ (21,723)</b>

## **INTERNAL SERVICE FUNDS**

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Combining Statement of Fund Net Assets**  
**Internal Service Funds**  
**June 30, 2007**

	Motor Pool	Health Insurance	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 544,878	\$ 264,197	\$ 809,075
Investments	588,111	638,869	1,226,980
Prepaid expenses	3,081	-	3,081
Inventory	63,853	-	63,853
Total current assets	1,199,923	903,066	2,102,989
Noncurrent assets:			
Capital assets being depreciated, net	1,134,167	-	1,134,167
<b>Total assets</b>	2,334,090	903,066	3,237,156
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	17,138	62,392	79,530
Accrued liabilities	3,324	-	3,324
Current portion of compensated absences	12,452	-	12,452
Total current liabilities	32,914	62,392	95,306
Noncurrent liabilities:			
Accrued compensated absences	8,302	-	8,302
<b>Total liabilities</b>	41,216	62,392	103,608
<b>Net assets</b>			
Invested in capital assets	1,134,167	-	1,134,167
Unrestricted	1,158,707	840,674	1,999,381
<b>Total net assets</b>	\$ 2,292,874	\$ 840,674	\$ 3,133,548

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Combining Statement of Revenues, Expenses and Changes In**  
**Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

	<b>Motor Pool</b>	<b>Health Insurance</b>	<b>Total</b>
<b>Revenues</b>			
Charges for services	\$ 556,826	\$ 1,127,954	\$ 1,684,780
Miscellaneous	16,502	211	16,713
Total revenues	573,328	1,128,165	1,701,493
<b>Operating expenses</b>			
Personnel services	162,266	-	162,266
Claims	-	686,130	686,130
Contractual services	-	3,159	3,159
Operating	243,793	202,282	446,075
Automobile	2,457	-	2,457
Administration	-	36,127	36,127
Depreciation and amortization	228,094	-	228,094
Total operating expenses	636,610	927,698	1,564,308
Operating income	(63,282)	200,467	137,185
<b>Non operating revenue</b>			
Interest income	55,687	32,200	87,887
Net income before transfers	(7,595)	232,667	225,072
Transfers out	(375,000)	-	(375,000)
Net change in net assets	(382,595)	232,667	(149,928)
Net assets, beginning of year	2,675,469	608,007	3,283,476
<b>Net assets, end of year</b>	<u>\$ 2,292,874</u>	<u>\$ 840,674</u>	<u>\$ 3,133,548</u>



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Combining Statement of Cash Flows

### Internal Service Funds

For the Year Ended June 30, 2007

	Motor Pool	Health Insurance	Total
<b>Cash flows from operating activities</b>			
Receipts from interfund services provided	\$ 556,826	\$ 1,127,954	\$ 1,684,780
Receipts from customers and users	16,502	211	16,713
Payments to suppliers	(235,809)	(241,568)	(477,377)
Payments to employees	(150,181)	(690,585)	(840,766)
Net cash provided by operating activities	187,338	196,012	383,350
<b>Cash flows from non-capital financing activities</b>			
Transfers (out)	(375,000)	-	(375,000)
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets	(85,859)	-	(85,859)
<b>Cash flows from investing activities</b>			
Maturity (purchase) of investments	464,511	(638,869)	(174,358)
Interest on investments	55,687	32,200	87,887
Net cash provided by (used in) investing activities	520,198	(606,669)	(86,471)
Net increase (decrease) in cash and cash equivalents	246,677	(410,657)	(163,980)
Cash and cash equivalents, beginning of year	298,201	674,854	973,055
<b>Cash and cash equivalents, end of year</b>	<u>\$ 544,878</u>	<u>\$ 264,197</u>	<u>\$ 809,075</u>
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ (63,282)	\$ 200,467	\$ 137,185
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	228,094	-	228,094
Changes in operating assets and liabilities which provided (used) cash:			
Prepaid expenses	5,226	-	5,226
Accounts payable	5,215	(4,455)	760
Accrued liabilities and compensated absences	12,085	-	12,085
<b>Net cash provided by operating activities</b>	<u>\$ 187,338</u>	<u>\$ 196,012</u>	<u>\$ 383,350</u>

## **AGENCY FUND**

**CITY OF EAST GRAND RAPIDS, MICHIGAN**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<hr/>				
<b><u>Tax collection fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 10,001	\$ 15,123,992	\$ 15,129,357	\$ 4,636
Delinquent taxes receivable	21,985	15,272,824	15,276,036	18,773
<hr/>				
<b>Total assets</b>	<b>\$ 31,986</b>	<b>\$ 30,396,816</b>	<b>\$ 30,405,393</b>	<b>\$ 23,409</b>
<hr/>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 15,003,086	\$ 15,002,796	\$ 290
Due to other governmental units	31,986	15,488,856	15,497,723	23,119
<hr/>				
<b>Total liabilities</b>	<b>\$ 31,986</b>	<b>\$ 30,491,942</b>	<b>\$ 30,500,519</b>	<b>\$ 23,409</b>
<hr/>				

## **SCHEDULE OF INDEBTEDNESS**

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Schedule of Indebtedness

June 30, 2007

Description	Date	Principal	Interest	Total
<b>Governmental activities</b>				
Unlimited Tax General Obligation Bonds, Series 2002	04/01/2008	\$ 55,000	\$ 71,865	\$ 126,865
Amount of issue	\$ 1,775,000	04/01/2009	60,000	69,830
Interest rates	3.50 - 4.90%	04/01/2010	70,000	67,490
Interest dates	10/1- 4/1	04/01/2011	75,000	32,345
Issue date	2/1/2002	04/01/2012	80,000	61,615
Final maturity date	4/1/2022	04/01/2013	85,000	58,295
		04/01/2014	90,000	54,598
		04/01/2015	100,000	50,593
		04/01/2016	105,000	46,043
		04/01/2017	115,000	41,160
		04/01/2018	125,000	35,525
		04/01/2019	135,000	29,400
		04/01/2020	145,000	22,785
		04/01/2021	155,000	15,680
		04/01/2022	165,000	8,085
		1,560,000	665,309	2,225,309
Unlimited Tax General Obligation Bonds, Series 2004	04/01/2008	15,000	398,639	413,639
Amount of issue	\$ 8,740,000	04/01/2009	110,000	398,189
Interest rates	3.00 - 4.875%	04/01/2010	110,000	394,889
Interest dates	10/1, 4/1	04/01/2011	110,000	391,039
Issue date	7/21/2004	04/01/2012	110,000	387,189
Final maturity date	4/1/2034	04/01/2013	110,000	383,339
		04/01/2014	120,000	379,214
		04/01/2015	130,000	374,654
		04/01/2016	170,000	369,584
		04/01/2017	185,000	362,784
		04/01/2018	220,000	355,291
		04/01/2019	240,000	346,161
		04/01/2020	275,000	336,081
		04/01/2021	310,000	324,256
		04/01/2022	340,000	310,616
		04/01/2023	380,000	295,486
		04/01/2024	415,000	278,196
		04/01/2025	460,000	259,106
		04/01/2026	505,000	236,681
		04/01/2027	530,000	212,063
		04/01/2028	535,000	186,225
		04/01/2029	540,000	160,144
		04/01/2030	545,000	133,819
		04/01/2031	550,000	107,250
		04/01/2032	550,000	80,438
		04/01/2033	550,000	53,625
		04/01/2034	550,000	26,813
		8,665,000	7,541,771	16,206,771

(Continued)

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Schedule of Indebtedness (Continued)

June 30, 2007

Description		Date	Principal	Interest	Total
<b>Governmental activities (continued)</b>					
2005 Michigan Transportation Fund Bonds		04/01/2008	\$ 175,000	\$ 105,775	\$ 280,775
Amount of issue	\$ 3,140,000	04/01/2009	180,000	99,650	279,650
Interest rates	3.00 - 4.25%	04/01/2010	185,000	93,350	278,350
Interest dates	10/1, 4/1	04/01/2011	190,000	86,875	276,875
Issue date	5/31/2005	04/01/2012	195,000	80,225	275,225
Final maturity date	4/1/2020	04/01/2013	205,000	72,913	277,913
		04/01/2014	210,000	65,225	275,225
		04/01/2015	220,000	57,350	277,350
		04/01/2016	225,000	49,100	274,100
		04/01/2017	235,000	40,663	275,663
		04/01/2018	245,000	31,263	276,263
		04/01/2019	255,000	21,463	276,463
		04/01/2020	265,000	11,263	276,263
			2,785,000	815,115	3,600,115
<b>Total governmental activities installment debt</b>			<b>13,010,000</b>	<b>9,022,195</b>	<b>22,032,195</b>
<b>Business-type activities</b>					
2003 Silver Creek Drain Refunding Bonds		11/01/2008	87,232	25,862	113,094
Amount of issue	\$ 981,824	11/01/2009	90,944	23,522	114,466
Interest rates	2 - 4.25%	11/01/2010	92,800	20,879	113,679
Interest dates	5/1- 11/1	11/01/2011	96,512	17,991	114,503
Issue date	9/30/2003	11/01/2012	99,296	14,832	114,128
Final maturity date	11/1/2016	11/01/2013	103,008	11,315	114,323
		11/01/2014	107,648	7,469	115,117
		11/01/2015	64,960	4,178	69,138
		11/01/2016	67,740	1,440	69,180
			810,140	127,488	937,628
<b>Total business-type activities installment debt</b>			<b>810,140</b>	<b>127,488</b>	<b>937,628</b>
<b>Total installment debt</b>			<b>\$ 13,820,140</b>	<b>\$ 9,149,677</b>	<b>\$ 22,969,817</b>

(Concluded)

## **INTERNAL CONTROL AND COMPLIANCE**



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

November 19, 2007

Honorable Mayor and  
Members of the City Council  
East Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, as of and for the year ended June 30, 2007 which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of East Grand Rapids, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of East Grand Rapids, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of East Grand Rapids, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of East Grand Rapids, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of East Grand Rapids, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of East Grand Rapids, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of East Grand Rapids, Michigan in a separate letter dated November 19, 2007.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

November 19, 2007

To the City Council of the  
City of East Grand Rapids  
East Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, for the year ended June 30, 2007, and have issued our report thereon dated November 19, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated June 5, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of East Grand Rapids, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of East Grand Rapids, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of East Grand Rapids, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of East Grand Rapids, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the City's internal service funds and for which the City utilizes the services of an independent third-party risk management consultant to estimate the liability. We relied upon the work of the third-party expert in determining that the liability is reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of East Grand Rapids, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of East Grand Rapids, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the City of East Grand Rapids, Michigan's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of East Grand Rapids, Michigan’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **City of East Grand Rapids, Michigan**

## **Comments and Recommendations**

### **For the Year Ended June 30, 2007**

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In planning and performing our audit of the financial statements of the City of East Grand Rapids, Michigan, as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

#### **Other Matters**

##### *Documentation of Independent Review of Journal Entries*

During our review of internal control procedures, we noted that while the City has a procedure in place to provide for independent review of all journal entries, the review is not consistently documented by the reviewer initialing and dating the journal entry upon approval. We recommend that all journal entries be initialed and dated by a designated reviewer other than the person preparing the entry.

##### *Segregation of Incompatible Duties – Utility Clerk*

During our review of the City's internal controls over utility billings, we noted that a single individual is responsible for calculating, printing, and mailing utility bills, as well as participating in the cash receipting function. We recommend the City seek to segregate these duties as much as possible and/or introduce an additional element of supervision and review to mitigate the risk of assigning these duties to a single individual.

# **City of East Grand Rapids, Michigan**

## **Comments and Recommendations**

**For the Year Ended June 30, 2007**

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### *Posting of Year-End Adjustments*

During the performance of our audit procedures, we noted that various year end adjustments had not been posted to the City's books. In most cases, management had identified the appropriate adjustments to be made, and provided supporting documentation for the amounts involved. However, the adjustments were saved to be posted as part of the audit process. The changing landscape of auditing standards has resulted in a greater emphasis being placed on entries that are considered to be "audit adjustments", as well as stricter requirements of what auditors must now report as "control deficiencies". Inasmuch as the City already has procedures in place to identify and quantify the types of GAAP adjustments required at year-end, we recommend that in future periods the City actually post these entries to its internal books in advance of the annual audit.

### *New Accounting Standard*

The Governmental Accounting Standards Board recently issued Statements No. 43 *Financial Reporting for Post Employment Benefit Plans other Than Pension Plans*. Statement No. 43 will become effective for the City for fiscal year 2008-2009 and will require additional disclosures, an actuarial valuation of those employee benefits granted to retirees and additional expenses to be recognized in the government-wide financial statements. We have discussed this new statement with management, and we will be working with the City to help implement this new accounting standard.

\* \* \* \* \*

City of East Grand Rapids  
Schedule of Adjustments Passed (SOAP)  
For the June 30, 2007 Audit

In accordance with the provisions of SAS 89, *Audit Adjustments*, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. Also in accordance with SAS 89, we are providing this schedule to both management and the audit committee to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Fund Balance	Revenue	Expenses/ Expenditures
<b>Governmental Activities</b>					
<b>General Fund</b>					
Accrued interest understatement	(5,707)	-	-	(5,707)	-
<b>Nonmajor Govt Funds</b>					
Accrued interest understatement	(1,639)	-	-	(1,638)	-
<b>Internal Service Funds</b>					
Accrued interest understatement	(5,044)	-	-	(5,044)	-
<b>Total Governmental Activities</b>	<b>(12,390)</b>	<b>-</b>	<b>-</b>	<b>(12,389)</b>	<b>-</b>
<b>Business-type Activities</b>					
<b>Water and Sewer Fund</b>					
Inventory understatement	(2,509)	-	-	-	2,509
Accrued interest understatement	(4,107)	-	-	(4,107)	-
<b>Total Business-type Activities</b>	<b>(6,616)</b>	<b>-</b>	<b>-</b>	<b>(4,107)</b>	<b>2,509</b>